



PROPERTY SOURCING MASTERCLASS

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SOURCING MASTERCLASS

How to Secure the Best Property Investments ahead of the competition

“As with any business to be successful you first need to understand the marketplace and what you are trying to achieve.”

Alan Forsyth (Property Millionaire).

Agenda

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Introduction



Richard Thomson

Bio

“Enjoyed school but throughout sports and football in particular were always my main focus.

Left school at 17 and joined my local team Dundee United as a trainee professional.

After 3 years striving to make the first team and despite being offered a further years contract took the decision to pursue a degree in Pharmacology at Glasgow University.

Graduated with a 2.1 but soon realised my options in the field were somewhat limited without further study i.e. PHD and after 4 years struggling as a student was keen to get earning money and paying off my debts as soon as possible.

Moved to Nottingham and worked in home improvement sales for a year which while the money was really good never really provided any job satisfaction.

It was while living in Nottingham I read Rich Dad Poor Dad and decided that I would like to explore other business opportunities where I could generate a residual income. Once back in Scotland and in conjunction with Alan I began sourcing high yielding BTL properties throughout Scotland.

I started advertising in papers (local and national) in 2004 and doing leaflet drops throughout the country looking for motivated sellers. I remember one of my first calls was from a couple in Aberdeen who wanted to stay on and rent property back. Property valued at 100k and they said could only afford 350 a month so I offered them 70k and they accepted. Bought this property and immediately re-mortgaged at 85% LTV giving me a massive cashback of 12k from the deal.

Since that day I've never looked back – and while there have been plenty of challenges along the way - I don't know of another business where you can make such fantastic returns without requiring a large amount of cash to start investing.

Currently I have 3 core businesses in Lettings managing over 100 properties in the east of Scotland, Sourcing BMV Deals for Investors and managing my own 3 million portfolio.”

Richard's Investment Strategy

- Source at least 1 property a week for Property Investment Deals
- Purchase a new property every 6 to 8 weeks depending on availability of finance
- Take control of at least one new property every 3-4 weeks through a lease option.
- Use positive cashflow from portfolio to reduce overall lending from 70%

I would buy more of the deals I source but I'm now at the stage where availability of finance does not always allow. I find securing a mortgage every 6 - 8 weeks works best.



Daniel Morgan

Bio

"Since a young age I always wanted to be involved in business and although I felt this goal was achievable I never really understood how to start my business career. I come from a working class background in Swansea with no one in my close family interested in business or pushing me and my peers to study hard and get a "safe" job outside of our local area.

I've always thought "outside the box" and enjoyed finding my own way of doing things rather than following the norm my peers took.

Now at the age of 26, I run a property trading company which is on target to hit a £2.5m turnover in 2010 supporting a team of 7 including myself, my office staff and property finders generating over 70 leads per week throughout Wales.

My company sourced over £6m worth of property in 2009 and helped investors achieve over £1.5m in equity with positive cash flow.

I've been through the lows and highs of this market and have learnt some lessons along the way.

My key to success has been to streamline the whole investor buying process by focussing on a geographic market with a "think global act local" strategy rather than being tempted to branch into National sales.

My local business interests now include Property Sourcing, Investing, Finance & Estate Agency and by keeping a focus on property I've been very successful in maintaining a large personal portfolio and business throughout a difficult economic climate."

Dan's Investment Strategy

- Source at least 2 property a week for investors with £40,000 per month re-invested
- Buy 1 property every 3-6 months at 50% gearing
- Reduce mortgage balance on current portfolio

I'm currently only able to access commercial funding which means I now focus on a smaller volume of purchases at low gearing as my strategy is to gradually reduce the size of my mortgage liability to around 50% - 60%.



Alan Forsyth

Bio

"I went to school in Dundee, Scotland before going to Edinburgh University and studying BCom (Hons) Business Studies and Accounting. Buying my first property as a student - a 4 bedroom house in a popular student area.

Over the last 10 years I have built up a portfolio of 100 properties in the UK and Overseas, concentrating on cashflow and good local affordability.

Over the last 5 years, since quitting the day job I have carried out over 200 consultations and my team has sourced over 1000 deals for investors. I am considered a leading property expert and writer, and his views and articles are regularly sought in the UK and overseas.

Writing regularly for several property publications including www.freshstartmagazine.co.uk,

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Hot Property Alert, Your Property Network and www.propertytalk.com where I am the UK expert. I am also the overseas property expert on www.eyeonworldwide.com writing a weekly column. I am asked for my views regularly by newspapers, including the Independent, Irish News and the Scotsman and have my own websites.

My article entitled "Why Property?" has been published on property and finance websites throughout the world, such as www.britishexpat.com, www.allmoneytopics.com, www.reidepot.com, www.buyincomeproperties.com and many others.

Other articles can be seen at www.propertytalk.com, www.homestagers.co.uk and www.hotrealestatemall.com.

In my spare time I play golf, watch football, travel (although usually to check out a deal!) and like to spend time with my girlfriend and friends.

Alan's Investment Strategy

- Source 12 properties a week for investors through network of sourcers
- Reduce LTV on existing portfolio by 5% in 2010
- Buy high yielding deals – as many as finance allows

Exercise

Where do you want to be in 12 and 36 months time?

Spend 5 minutes running through where you would like to be in 12 months, and 3 years time

What property investment strategies do you have?

Buy to Let

Buying a property with the intention of letting it out.

Buy to Sell

Buying at a price well below the current market value with a view to immediate re-sale (i.e. FLIP)

Or

Buying a property in need of refurbishment and adding value by carrying out the necessary works. (REFURB)

Lease Options

Take control of a property without the requirement of a mortgage or conclusion of a purchase.

**Suitable where vendor maybe only has 10-15% equity but has a mortgage lower than the rental potential of the property.*

These are the main strategies that we follow in our business models. There are others but most are just variations on the above.

Here we are going to concentrate mainly on showing you how to source your own BMV properties thus enabling you to rapidly expand your portfolio.

We will also teach you how you can generate a substantial income stream by sourcing deals for other investors.



Having the Correct Strategy

“HAVING A CLEAR STRATEGY IS KEY TO ACHIEVING YOUR GOALS”

As you can see each of us has clear goals and a business plan or strategy that we follow in order to achieve those goals.

It is important to not only set goals and know what you want to achieve but you must also plan the steps you must take in order to get there.

This is not a get rich quick scheme or retire overnight plan, however if you follow our advice and proven systems you will undoubtedly source some fantastic Bargain Properties that will not only have huge equity (25% plus) but also positive cash flow (average £100-£200 per month per property).

Do you have the correct strategy?

CASH FLOW - *The key to success.*

As anyone running their own business will tell you it is vital that your business generates positive cash flow. You must be careful when sourcing BMV properties – fantastic discounts are great but they are not everything!

To help me emphasise this point let's look at the following example from a call I received last week.

5 Bedroom Detached Villa in Motherwell, South Lanarkshire.

Current Value - £300,000

Outstanding Mortgage - £210,000

Reason For Sale - Vendor has lost his job and fallen behind on their mortgage with arrears of £7,500. Repossession is imminent. Vendor seeks quick sale to clear all debts and find new property that is more affordable while they seek new employment.

NEGOTIATION

Purchase Price- £222,500 (Allows vendor to clear all debts and leaves £5k for fresh start)

Lending- £225,000

No Money Down (NMD) Deal is structured so lending at 75% LTV

EQUITY of £75,000Sounds like a fantastic deal doesn't it?

Well that depends on your STRATEGY!

You now have 2 Potential Options----SELL OR RENT!

On paper you have a large amount of equity but you also have an interest only mortgage costing approx £940 a month. (5% interest only)

SCENARIOS

Sell property at £300,000 or even at £250k or £260k.

Even if this takes 6-8 months then you will have still done very well from the deal with around a 20k profit.

However what if after 6 months the property hasn't sold and you have spent nearly £6k in mortgage payments?

You might panic and think "I'll let the property out until the market improves"

Now, you had initially thought you could rent the property for around £1250.

It's on the market for 6 weeks and someone eventually offers you £1100 for it so being nearly £8k down in mortgage payments you decide to accept.

Ok no more worries for at least 12 months and hopefully the market will improve by then.

2 MONTHS LATER- INTEREST RATES GO UP 1%

Mortgage payment now £1125 per month

Agent Fee 10%- £110 per month

Insurance - £40

NEGATIVE CASHFLOW - £175 PER MONTH

Approximately £10,000 down over the first 12 months

This is a prime example of how not understanding the market or the numbers can cost you THOUSANDS!

To say your strategy is solely to source properties at 25% BMV is too vague and is a recipe for disaster.

CHOOSING YOUR TARGET MARKET

WHAT TYPE OF PROPERTIES SHOULD YOU TARGET?

I only target properties that will be cashflow positive even if interest rates rise by 2% from today's level.

Effectively to achieve this I target properties worth anything up to £150,000 in areas with good rental demand with at 28 to 30% discount and a minimum 6% to 7% yield.

You must target where the figures work i.e. not necessarily in your local area! E.g. I know an investor that lives in Surrey who buys in Hull.

% YIELD = GROSS ANNUAL RENT ÷ GROSS PURCHASE PRICE (VALUATION)

By following this strategy you will ensure that regardless of what happens in the re-sale market in the short term you will be protected by building a portfolio that is cashflow positive even if interest rates start to go back up.

NOW WE KNOW OUR TARGET MARKET!

HOW DO YOU PROGRESS TO SOURCING PROPERTIES AND COMPLETING BMV DEALS?

In order to do this you will need to have in place a team of professional who will assist in a variety of roles all of which are vital to the success of your property business.

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Power Team

Exercise - Group exercise asking them to shout out recommendations of who you need in your team to be able to effectively source and complete on BMV property deals.

Legals

Make sure you have a good relationship with your Solicitor as they are usually the key to buying or selling a property successfully. Don't chase the lowest price as this is often reflected in the priority they place on your case. When structuring your deals it is always better if you insist that the vendor also uses a solicitor that you recommend. If both lawyers have a working relationship then this will ensure the transaction progresses smoothly. You want them to be comfortable with NMD schemes to allow you to structure your deals with none or your own money and even get cashback from the deal if the discount you negotiate enables this.

RECOMMENDATIONS:

Sam Hawkin & Co

Bridging Finance

There are a number of bridging lenders for securing property deals from outright purchase to funding the initial deposit. You can expect to pay 1.5% per month for bridging finance on properties requiring works or around £500 for lending the deposit monies on a closed one day bridge.

RECOMMENDATIONS:

Bridging Finance Northwest can be used for open bridging at 70% open market value or 85% of purchase price.

Fruit Finance LTD can be used for one day bridging.

Surveyors

Its important to ensure your research on the property value is correct which is why a RICS survey is extremely a valuable tool after you have agreed a deal with the vendor.

RECOMMENDATIONS:

Allied Surveyors - £120 + VAT (Tend to be pretty low)

Colleys - £120 + VAT (Used by BM Solutions & Halifax)

Mortgage Broker

Unless you're going to be buying every property for cash you need to make sure you have mortgage products available for the property purchase. Initially you can use High Street lenders who will typically offer loans of up to 80% of the purchase price. Just last week the Mortgage Works released new products at 80% LTV and being aware of this is vital in terms of what offer you can make to a vendor. After these have been exhausted you will need to start looking at Commercial funding which is currently available at around 70% of the market value. Expect strict criteria and a meeting with the bank to secure funding however after jumping through all the hoops you will usually be given terms and a credit limit of £250,000 to start.

RECOMMENDATIONS:

Mark Spurling - £100 Broker Fee

Barclays Commercial

Estate Agents

They can be a fantastic source of properties which we will run through later but also another avenue to sell your unwanted deals or properties you have purchased to renovate.

RECOMMENDATIONS:

Self employed agents where their income will be solely dependent on sales Eg REMAX

Letting Agents

Tips

Call 3 local Letting Agents and meet to discuss your strategy and ask for quote on managing properties on your behalf. You should aim to be paying no more than 10% per month plus £100 tenant finder's fee. It is vital as a landlord and in particular as your portfolio grows that

your cashflow is good. Therefore a good agent who can let properties quickly and makes sure your property is well maintained will be vital to your success.

Reciprocal Business

Letting Agents will hold a database of hundreds of Landlords who may have portfolios of properties they are looking to sell. They will also have plenty of tenants looking to rent and potentially buy at a future date. Any deals you may have which do not fit your buying criteria may fit theirs.

RECOMMENDATIONS:

Call around three local agents within range of your property

Local tradesmen

You will need to build a list of local tradesmen which is usually split into two categories.

- Handymen who will carry out day to day maintenance on your properties which include painting, minor repairs, etc
- Builders who will quote for larger works such as property refurbishments, new kitchens, etc

It's worth contacting a few carpeting companies to give you a per meter square price fully fitted on a range of carpets as builders will not usually get involved with the carpeting of property.

Carpeting a 3 bed terrace will usually be £600 - £1,000 depending on location and carpet. Always get written quotations from tradesmen before letting them commence works even after you have done a few jobs together. Don't get too friendly with the tradesmen and remember your employing them to do a job at an agreed price and time.

RECOMMENDATIONS:

Small local firms rather than chains or franchises will provide best value.

Accountants / Tax Specialists

Having a good accountant is key as with any business.

I recommend quarterly meetings with your accountant.

RECOMMENDATIONS:

Higson and co Nottingham

Renovation & Maintenance

A key part of being a property investor or trader is to understand and succeed in this area. You will come across many deals which will require works and up to this point you may have little or no experience in dealing with properties which require works.

Get the building works right and you can make great profits from selling on your property or re-financing at a later date. Get this wrong and you can lose a lot of sleep and money.

There are a few simple steps you can take to reduce your risk and a number as many deals from probate and auction houses will require work you can capitalise on a profitable market if done well.

Lets look at building suppliers first as you need to learn the foundations of where to buy, how to negotiate and who to hire for renovating properties.

Building Suppliers

Selco – You can open an account easily and normally prices are non negotiable. Expect to be given a £1,000 account which will increase alongside your business.

You can get some great deals here on general building products including plant, equipment and building supplies.

Howdens – Kitchen suppliers who deliver kitchens pre-assembled to the property along with a free kitchen design service. Make sure you open an account and discuss pricing with the local rep. The list price looks extremely expensive however this is to ensure builders don't get cut out by the customers. You should get a 50% discount from list price on most items easily. We get 80% off many items which can be negotiated after your first purchase if they feel you will order more.

Plumbing – Each city will have its own plumbing centre where you can open an account and buy direct. You will save £100's compared with B&Q with a standard bathroom suite costing £200 including WC, Bath, Sink, Taps, Waste, etc

Flooring – As with plumbing you will find plenty of local firms offering this service. Try and find a small local firm who supplies letting agent clients. Make sure you get three quotes from the firms and make them aware you are looking to give them plenty of work. You should get a fixed price. including fitting per square meter which means you can roughly budget jobs before they come to quote.

Notes



Marketing

Now you've chosen your target market, how do you find motivated sellers?



MARKETING

The lifeblood of your BMV Property Business

Combined with your negotiation skills this is probably the most important aspect of your business.

In order to be successful you must get this right.

NO LEADS EQUALS NO DEALS

In order to attract motivated/ distressed sellers you first need to know the circumstances where a homeowner would require to sell their home quickly and at a discount.

You must know this so you can structure your advertising accordingly.

What are the various circumstances that are likely to motivate a seller to accept a BMV offer?

Repossession

- Missed payments on mortgage or other secured loans

Clear other debts

- Credit cards, unsecured loans

Separation

- Divorce

Relocation

- New job or to be closer to their family/partner

Need bigger house

- To accommodate family

Illness

- Can't work anymore or in hospital/nursing home

Quick Equity release

- rather than wait months and months to sell on the open market many people are happy to achieve a quick sale so they can release equity and enjoy there lives.

Inherited Property

- home is a burden and a quick resolution is required

Tenant/Neighbourhood Issues

- Landlords who have had a bad tenant wreck a house.

There are probably a few others but you will find that each and every client will be motivated to a certain degree. This is dependent on their individual circumstances.

Greater the Mortgage Arrears = Increased Threat of Repossession= Greater Motivation

As a general rule after 3-4 missed payments the lender will start to take court action and at 6 missed payments repossession will be weeks away.

What Types of Advertising are Available?

- **NEWSPAPER ADVERTISING**
- **LEAFLET DISTRIBUTION**
- **DIRECTMAIL**
- **ONLINE/INTERNET ADVERTISING**
- **TAXI/BUS ADVERTISING**
- **BILLBOARD ADVERTISING**
- **WORKING WITH OTHER PROPERTY PROFESSIONALS**
- **PURCHASING LEADS FROM LEAD GENERATORS**
- **POSTERS IN SHOPS WINDOWS/ PROPERTIES YOU ALREADY OWN**
- **RECOMMENDATIONS/ WORD OF MOUTH**

Alan and Daniel have between us used all of these with various degrees of success.

Leafleting and Newspaper advertising has shown to be the most successful for us, although we know other sourcers who have secured some excellent deals from shop window advertising.

Newspaper Advertising

Exercise – design your perfect newspaper advert

Local and National Papers

PROS

- Relatively inexpensive
- Large Audience
- Easy to organise

CONS

- Not targeted to your areas of interest
- Competition from similar adverts

NEGOTIATING RATES

- Never accept the first price you are offered
- Expect to be able to reduce this by at least 50%
- Block bookings eg 2 days a week for a month
- Monday and Tuesdays are better days after people have overspent at the weekend
- Find out copy deadline day- may be a bargain advert to be had if space still to be filled
- Smaller adverts on a regular basis will build your brand

DESIGN OF THE ADVERT

- Bright colours to make it stand out
- 2 key bullet points you want to emphasise
- Contact Details
- Local Company
- Free Service

Expect to pay anything from £80 to £200 per advert depending on size and frequency of advert.

Leaflets

Newspapers are a great source of leads for their circulation but you are still missing out on 1000's of property owner's who do not buy local papers. Leaflets are a fantastic way to enter your target markets home on a regular basis with results easy to track.

You will need to spend a few days organising yourself and choosing your target market but after this you will have a formula which can be repeated every week, month & year with minor adjustments from your response rate.

Locations – Chose your location carefully and spend a day driving in the local area to pin point your target properties. Google maps can be very effective for example in viewing streets with terrace properties, etc. Buy yourself a postcode map of the area and highlight which areas give the best saturation.

Printing – After choosing your leaflet design(s) negotiate a price with a local printers who can, depending on your distribution method, deliver the leaflets quickly. Leaflets are VAT exempt and prices range from £500 - £700 for 100,000.

Distribution – You can deliver the leaflets yourself, hire local people from Gumtree or use a specialist company such as Royal Mail. If you use Royal Mail they can help you choose post codes with their own data.

**Expect to deliver to the same location 2-3 times for the best response rate and don't be tempted to spread yourself over a large area once, never to return.*

The benefit of leafleting is you're almost guaranteed to see results from day one as people receive the leaflet through the door and call. You will also be surprised by how many people call you months later or have been given the leaflet by friends or family.

The key to a successful leafleting campaign is all down to the preparation and tracking. Keep a note on an excel sheet of all the post codes you delivered to plus the number of leads which you received. Post codes which perform well will mean more effort/marketing spend

can be allocated and post codes which perform poorly can be investigated. Don't just stop at number of leads, which although are important is just the first stage in doing a deal. We track how many deals we do in each post code to ensure we're not spending too much money on areas performing well for leads but with poor performance. It's better to have less leads in targeted areas than more leads in the wrong area.

Example: We targeted West Wales in early 2009 with a large leafleting campaign which gave us better than average lead flow. Unfortunately after speaking with the leads we did very few deals because they were generally expensive properties which did not fit into our target market. This is a perfect example of not researching the market properly and only focusing on generating leads rather than deals.

Direct Mail

The most targeted marketing you can do is by sending a letter direct to a vendor. It is not a cheap source of leads however is a good addition into your marketing mix. You can buy data from several sources online and services such as iMail to deliver them direct to the recipients home. We purchase Declined Secured Loan data as it shows the occupant is a home owner and been rejected for finance.

Estate Agents

This is the most difficult area to succeed in as you will need to prove to the agents that you are a serious buyer and should receive the best deals over their existing contacts. Anyone can find properties in an Estate Agents window but you want to be given first refusal or vital information such as the vendors situation, etc.

The best tip is to focus on smaller independent agents who you can slowly build a relationship with and gain trust. As you will often be dealing with the owner/partner then you will have a better chance of being remembered next time a deal for a quick sale come onto their books.

Remember than you will have a number of leads coming in from your other marketing sources which will not be suitable for your strategy. A great tip is to arrange a meeting with an Estate Agent and give him some leads you can work with. This will result in either you possible earning commission from the agent, them passing you over deals that fit your criteria or even better BOTH.

If they supply you a deal then you may feel obliged to pay them a commission. Although its at your discretion if you think it will help build a relationship don't assume you need too. The Agent will make a good commission from the seller if you buy the property and if you're going to pay their fees then you will be paying twice!

Letting Agents

As with Estate Agents they can provide a number of good deals but from a different seller profile. Lettings Agents will almost always have either Landlords looking to sell or buy so building a good relationship with the Agent can be good business practise. As with Estate Agents you need to decide how to pay them for their time. You can use your own property management, rental leads, commission or a combination of all.

Online Advertising

Initially anyway you are best to buy targeted leads for around £30 to secure all leads in your postcodes – this is often most cost effective, rather than setting up your own website. However further down the line if you expand that can be worth doing. We can advise the most cost effective websites to buy.

Taxi Wrapping or Bus Advertising

£500 per year per advert

Shop Window Advertising

Low Cost

EXAMPLES OF NEWSPAPER ADVERTS AND LEAFLETS USED BY OURSELVES

**NEED TO SELL
YOUR HOME FAST?
DEBT OR REPOSSESSION
WORRIES?**

**R & A PROPERTIES CAN HELP YOU!
RENT BACK or MOVE - YOU DECIDE!**

**Purchase Agreed Within 7 Days and Completion Date to Suit.
With solutions to suit, you can clear your debts and make a fresh start!**

**SCOTTISH COMPANY - FREE VALUATION, FREE LEGALS & FREE ADVICE
ALL CIRCUMSTANCES CONSIDERED**

Why not call us today for an informal, friendly & confidential chat?

FREEPHONE 08000 350 589

Winnie celebrates her 101st birthday

WITH so many cards, flowers and chocolates taking up space, it's surprising this birthday girl can even fit into her room.

But Winnie Davies, a resident at Victoria House in Down-lais, had a very good reason to celebrate – on Monday, March 29.

Surrounded by family, friends and staff, Winnie marked her 101st birthday in style.

Victoria House laid on a party for the 101-year-old, originally of Ivor Street, Down-lais, which included a buffet table groaning with birthday treats and a singer to entertain the residents.

Pam Edwards at Victoria House said: "The whole day went really well. She thoroughly enjoyed herself."

"The Mayor and Mayoress came along to the party and the kitchen staff did a beautiful buffet."

"She had lots of her family and her friends from the Ivor Street Chapel here too."

"Winnie had so many presents, we've had to put a lot of them in the main room as there was no space left in her bedroom."

"She's the oldest resident we have here – she's the head of the house."



■ Winnie Davies' 101st birthday on Monday



■ Twymrodyn pupils enjoyed their Fairtrade experience, and left, the Merthyr College Performing Art students



Pictures: Bob Prosser



■ The pupils worked on Fairtrade activities during the afternoon, and left, the school aims to work towards Fairtrade status



Make a Fresh Start in 2010

WE CAN BUY YOUR HOUSE FOR CASH

...QUICKLY!

Inherited a Property? Relocating? Divorce? Emigrating? 'Chain' Problems? Repossession threat?

Whatever the reason for selling your house, you will be assured of a **FREE No obligation Offer**, and a confidential service with **Complete Peace of Mind!**

ABSOLUTELY NO FEES TO PAY!

RENT-BACK OPTION!

NO HIDDEN COSTS!

For a **FAST No Obligation CASH OFFER within 24 HOURS...**



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Call **FREE** on our 24 HOUR HOTLINE:

0800 634 9229

Or visit our website:

www.propertybuyerswales.com



Fair trade gets a dramatic flavour

Catherine Evans

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YOUNGSTERS at Twymrodyn Community School were playing fair at the end of term.

Pupils in the junior section of the school were treated to a performance from drama students at Merthyr College to highlight the importance of Fairtrade products.

The BTEC National Performing Arts first year students spent time with the youngsters working on activities, including video footage of how the fairtrade industry works.

Years 3 and 4 then settled down for the 30-minute play, followed by another performance for Years 5 and 6.

The Fair Trade Child tells the story of a group of pupils who are travelling abroad and stumble upon a village where Fairtrade products are grown, in particular bananas.

The children will continue their Fairtrade education after the Easter holidays.

Dawn Warell at Twymrodyn Community School said: "We'll be talking to the Eco committee at the school about the possibility of a Fairtrade tuck shop."

"It was very nice of the college students to come up to the school and perform. The children enjoyed it and we were very grateful they chose the school and gave the pupils a nice afternoon."



■ The acting students drill to the Twymrodyn pupils, and left, one pupil gets into the Fairtrade spirit

"How many leads you should expect to get will be influenced by the style, content and placement of your advertising."

IT'S A NUMBERS GAME

You only need to convert a tiny percentage of your leads to make a massive profit!

Newspaper Advertising

I reckon in Scotland for every £350- £450 we spend put in we get 8 to 10 serious calls. (If get 10 serious calls then I would go and see at least 3 that have potential and from that would expect to do at least 1 deal. Advertising cost per deal is therefore on average £400.

Online advertising

We buy leads online for around £30 per lead. Out of that I would say 1 in 5 is a yes to 25% BMV and from every yes 1 in 2-3 is serious and worth a visit so need 10-15 leads. As before in every 3 visits there is at least 1-2 deals. So say around 30 leads for 1 BMV deal. So approx £900 per deal for 25% equity or on average £20,000.

Notes

Leafleting

Daniel's Leads Flow 1st May – 20th May 2010

What number of leads should result in a deal?

DATE	Leaflet	Website	Y Pages	Newspaper	Referral	Total	Appointment	Deal
01/05/2010	1	0	0	0	0	1	0	0
02/05/2010	0	0	0	0	0	1	0	0
03/05/2010	2	0	1	0	0	1	0	0
04/05/2010	13	0	0	1	1	15	9	0
05/05/2010	8	2	1	1	0	12	4	1
06/05/2010	3	2	2	1	1	9	3	1
07/05/2010	6	1	0	0	0	6	4	2
08/05/2010	4	0	0	1	0	5	2	0
09/05/2010	2	3	0	0	0	5	0	0
10/05/2010	4	3	2	0	0	9	2	3
11/05/2010	6	2	0	0	0	8	4	0
12/05/2010	5	3	0	0	0	8	4	4
13/05/2010	3	4	0	0	0	7	4	2
14/05/2010	2	4	0	0	0	6	3	3
15/05/2010	3	1	0	0	0	4	0	0
16/05/2010	0	2	0	0	0	2	0	0
17/05/2010	4	1	0	0	1	6	2	1
18/05/2010	11	0	0	0	0	11	0	0
19/05/2010	0	1	0	0	0	1	0	1
20/05/2010	2	1	0	0	0	3	0	0
Total	77	29	6	4	3	120	41	18

Deals	12	3	1	2	1
Conversion	15.58%	10.34%	16.67%	50.00%	33.33%
Marketing Cost	£3,418	£583.24	£430.00	£331.50	£0.00
Average CPL	£44.40	£20.11	£71.67	£82.88	£0.00
Average CPD	£284.89	£194.41	£430.00	£165.75	£0.00

Monthly Schedule: May 2010			
Advert Type	Company	Amount	Total Cost
Leaflet Printing	Imex	93,374	£0
Leaflet Distribution	Royal Mail CF	93,374	£3,418.69
Media Advertising	Yell.com	1 Advert	£430
Media Advertising	Media Wales	4 Adverts	£331.50
Media Advertising	Google Ad Words	1 Campaign	£583.24

Total Advertising Costs: £4,763.43

Leads Generated through Advertising: 120

Apoinments made through Leads Generated: 41

Deals Completed through Leads Generated: 18

Total Cost per Lead: £39.70

Total Expenditure: £4,763.43

Total Cost per Deal: £264.64

Notes



5

Dealing with Leads

FANTASTIC!

**YOU'VE SORTED YOUR ADVERTISING AND
VERY SOON YOUR PHONE STARTS RINGING!**



What information do you want to collect from a lead?

Title:

First Name:

Surname:

Address:

Property Type:

Bedrooms:

Estimated Market Value:

Telephone Number:

Vendors Situation:

Best Time to call back:

QUALIFYING A LEAD

So you now have some basic details from a motivated seller!

For example here is a lead that came to me at the end of last year (Dec 09)

Seller's Contact Details

Name: Mr Peter Brown

Daytime phone: *****

Mobile phone: *****

Email: *****

Best time to contact - Anytime

Property Address

25 Thornyburn Drive, Glasgow, G69 7ER

Estimated Market Value - £140,000

Reason for Sale – Clear debts and get a fresh start

WHAT NEXT?

You now need to evaluate the information to be able to assess the potential of securing a BMV DEAL!

So before even calling the lead back and arranging to see the property you want to qualify the information you received.

Why?

The last thing you want to do is speak to the vendor without any real knowledge of their property, its location or its rental potential.

KNOWLEDGE/INFORMATION IS POWER!

The more you can find out at this stage the better your chances of building rapport and progressing to a house visit.

- Remember you are a **PROPERTY EXPERT** in your local area and you want to be able to convey that to the vendor when you speak.



6

Due Diligence of a Deal

DUE DILLIGENCE OF A DEAL

In order to achieve this you can make use of various excellent internet sites that will allow you to evaluate a deal without even leaving the house or even while you are out and about.

I've even looked into a deal while I was lying by the pool on a holiday in Mexico!

RECOMMENDED WEBSITES

www.nethouseprices.co.uk

www.ourproperty.co.uk (you have to sign-up to gain access)

Both free and great for seeing recent sales in the street and surrounding area.

www.rightmove.co.uk

Probably the number 1 website used by estate agents and letting agents across the UK.

This will allow you to check similar properties for sale and for rent in a particular area.

I advertise on this so have access to the back office rightmoveplus where you can also check recent sales (widely used by surveyors)

www.tspc.co.uk

www.gspc.co.uk

In addition to Rightmove in my local area(s) solicitors are also widely used to sell property and they would market on one of these websites. So worth being aware of the main websites used to advertise properties in your local area.

www.google.co.uk

Within Google if you go to MAPS and enter your desired postcode you will find –
STREETVIEW –

This is a fantastic tool that will allow you to look at most potential leads from ground level almost as if you are walking about in the street itself. So you can see what the property and area look like without having to actually travel there.

This will save you a fortune in petrol money!!! Believe me!

Ok let's show this working live in the case of the lead I received in December 2009

25 Thornyburn Drive, Glasgow, G69 7ER

So vendor reckoned property would be worth £140,000 if sold on the open market.

If we initially look at recent sales on the *nethouseprices* and *ourproperty* websites.

NETHOUSEPRICES

Address	Details	More Info
19 Thornyburn Drive, Glasgow, Baillieston, Lanark, G69 7ER	£114,995 Application No: 10LAN06593 Title No: LAN184362 Application Type: DW Deed Codes: 11 1	23-Mar-2010
31 Thornyburn Drive, Glasgow, Baillieston, Lanark, G69 7ER	£147,000 Application No: 09LAN16586 Title No: LAN169974 Application Type: DW Deed Codes: 11 26 20 1	29-Jul-2009
16 Thornyburn Drive, Glasgow, Baillieston, Lanark, G69 7ER	£165,000 Application No: 07LAN36631 Title No: LAN23166 Application Type: DW Deed Codes: 11 20	10-Aug-2007
19 Thornyburn Drive, Glasgow, Baillieston, Lanark, G69 7ER	£107,500 Subjects Being Dwellinghouse, Plot 64 Ellismuir Farm Development Application No: 05LAN37436 Title No: LAN184362 Application Type: FR Deed Codes: 11 20 1	03-Oct-2005
5 Thornyburn Drive, Glasgow, Baillieston, Lanark, G69 7ER	£60,000 Application No: 04LAN32605 Title No: LAN176370 Application Type: FR Deed Codes: 11 20	13-Aug-2004
31 Thornyburn Drive, Glasgow, Baillieston, Lanark, G69 7ER	£103,000 Application No: 03LAN35050 Title No: LAN169974 Application Type: FR Deed Codes: 11 20 1	10-Oct-2003

OURPROPERTY

2010-03-23	19 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£114,995
2009-07-29	31 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£147,000
2007-11-07	22 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£155,000
2007-08-10	16 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£165,000
2006-04-07	3 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£117,000
2005-10-03	19 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£107,500
2004-07-30	5 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£60,000
2003-09-19	31 Thornyburn Drive, Baillieston, Glasgow, G69 7ER	£103,000

As you can see there are 3 comparables in the same street for in excess of the £140,000 expectation of the vendor.

You ideally want to look at any sales in the last 2-3 years as anything outside of that will not really be relevant in assisting you due to the capital growth experienced over the years.

Number 16 sold for £165,000 in August 2007.

Number 22 sold for £155,000 in November 2007.

Number 31 sold for £147,000 in July 2009.

Number 19 sold for £114,995 in March 2010.

Note - There is a lag period of approx 3-4 months between the date property is sold and the date of the sale being registered.

Therefore initial thoughts are that 140k sounds pretty realistic.

So all good then, potentially we are now looking at doing a deal on a property that the owner thinks is worth £140,000 that may in fact be worth as much as £165,000.

Or are we?????

Can anyone tell me anything that hasn't been considered when looking at these sales?

What type of property has been sold?

Is every property in the same street likely to be the same?

Is it Detached? Semi-Detached? Or maybe even a flat?

NOTE-*Sometimes you will be aware it is a flat if they all share the same number but are distinguished in the block by a letter. For example Block 31 containing 8 Flats - A to H.(see DD1 3EW-Trades Lane)*

However any other information is limited in terms of the type of property, how many bedrooms and other factors that will have an effect on the value.

So I would now use Googlemaps - STREETVIEW to look at the street and hopefully this will allow me to establish if there are any differences between the properties that have sold that would have an effect on the value.

Now we already believe that number 25 is a 3 bedroom semi-detached.

So let's compare with other houses and see if there are any differences.

If we try and look for number 31 initially and compare it with 25 as you would expect they will be on the same side of the street both being odd numbers and should only be a few doors apart.

Also good to try and look around the street at the general condition of all the properties to see how well they are maintained.

Googlemaps satellite view will also allow provide you with lots of information about a street and the surrounding area (local shops and schools etc). Local road and rail links will also be evident.

In the case of Thornyburn Drive we can see it is well situated for road links.

The M8 which runs through the heart of Glasgow and provides access to Scotland's capital city is within 0.5ml as is the M73 which links to the M74, the main road south.

Also many other amenities can be identified (Morrisons supermarket and Local shops)

Ballieston train station will provide a link to the City centre in approx 10-15 mins.

GOOGLE STREETVIEW

- Initial impression is street appears to be a mixture of detached and semi-detached properties.
- Numbers provided on Streetview do not always correspond with the property in view. Try and zoom in on actual house number on property.
- We can see number 14 is on the RHS of the street so 25 and 31 will be on the LHS.
- Number 31 is a detached property on a corner plot and the other giveaway is the for sale board in the garden.
- Being a corner plot it may have a bigger garden than the other properties and we can see from the satellite view that this is the case.
- Working back we can now see that number 25 -is a different type to 31- not only is it a semi-detached but also looks slightly smaller.
- A garage on the front makes it different from many of the other semi-detached properties and will add value.

RIGHTMOVE

We can now use Rightmove to find out more about number 31 by viewing the details provided when it was for sale.

It was on the market initially at £151,000 for over 14 months before a sale was concluded at £147,000. A sign that the market had cooled from the peak sale of the similar number 16 at £165,000 nearly 2 years earlier. While this property is a detached it is still a 3 bedroom and I would expect a detached to be worth anything from 10 to 15% more than a semi-detached in the same area.

Rental Values for 3 bed semi-detached properties. For similar properties in the area (within 1mile) expected rental would appear to be in the region of £600 to £700 per month. Local Housing Allowance for a 3 bedroom is £160.38 per week or approx £689 a month.

CONCLUSIONS

Based on initial research it can be concluded that based on previous sales of similar properties and current properties on the market that a 3 bed semi- detached property not ex-local authority in G69 should be worth anything from £125,000 to £135,000 depending on its condition and rent for on average £650 to either a private or LHA tenant. The vendors own valuation would appear to be a little high.

Exercise – work out the true market values of the following properties!

3 Bed - Gwent Terrace, Cwmcelyn, Blaina, Abertillery, NP13 3LG

2 Bed - Kimberley Terrace, Tredegar, Gwent, NP22 3LF

3 Bed - Park Hill, Tredegar, Gwent, NP22 3NW

3 Bed - Blaencuffin Road, Llanhilleth, Abertillery, NP13 2RW

TARGET

- Current lending 75% LTV
- For a NMD deal would require a purchase price of between £90,000 and £95,000 depending on valuation and allowing £3000 for legals and structuring of NMD transaction.
- If property requires any refurb these figures would have to be adjusted accordingly.

POTENTIAL CASHFLOW

Lets assume property needs no work and surveys at £130,000.

This would allow max lending of £97,500 on the property.

£97,500 at 5.5% interest only will cost - £447 per month

RENT: £650

Less

Mortgage: £447

Insurance: £15

Management: £65

£123 positive cashflow every month.

As a general rule I look to have minimum £100 positive cashflow on every property to allow for any voids and repairs required.

The more information you have at hand when speaking with the vendor the better.

Key Advice - Know your desired outcome

- When entering any negotiation you should always know exactly what you are hoping to achieve.
- Purchase price of £95k and under
- Create a Win Win situation, you want the vendor feel that you are there to help them.

Notes



Calling the Vendor Back

CALLING THE VENDOR BACK

Now having done your DD you want to call the vendor back at the pre-arranged time and introduce yourself and check the initial information you have received and then ask some more probing questions.

REMEMBER YOU ARE A PROBLEM SOLVER

HOW CAN YOU HELP THE VENDOR?

THEY CALLED YOU SO AT THE VERY LEAST THEY HAVE AN INTEREST IN FINDING OUT MORE ABOUT HOW YOU CAN HELP THEM.

BREAK THE ICE!

Hi Mr Brown,

It's Richard from Property Solutions.

How are you today?

I'm not interrupting anything am I?

That's great.

Now say something you know about the area they stay in

So you stay in.....BAILLESTON.....

I know it well I often do my shopping at the local Morrisons or I used to play football at the local playing fields.

We've just received your enquiry and wanted to see if we could do anything to HELP you with the situation you find yourself in?

This will allow Mr Brown to open up and tell you his MOTIVATION.

BIGGER THE MOTIVATION THE BETTER THE CHANCES OF A DEAL!

BECOME A GREAT LISTENER!

Let the vendor talk as much as possible let them tell you there MOTIVATION, their WHY!

Ask them short questions, make them feel relaxed and then you explain that in order to help them you are going to need to ask them some personal questions and that anything they divulge is completely confidential.

Firstly check the details you have already received.

Remember your strength is being a local company, not a big business.

You are a local property expert looking to build a small property portfolio for you and your business partner's futures and if you can help some other local people along the way then great.

- Type of property?
- Bedrooms?
- Price paid
- Date Purchased
- Current Value?
- Basis of this valuation?
- Why they want to sell quickly? (They may have already divulged this)
- Outstanding Mortgage?
- Any other secured loans?
- Is property currently on the market? How long?
- How many viewings?
- How quickly do you need to sell?
- What is general condition of the property? (If 10 is perfect and 1 is requiring a lot of work how would you score your property?)

"Thanks for all the information, that really helps me appreciate your situation and will allow me to see if we can provide a suitable solution. What we do is simply buy properties fast, it's why people contact us – we have fast solicitors and funds in place. As we are property wholesalers and move fast we would look to buy and sell at a discount – is that clear?"

At this stage you will know if there is a good chance of a deal.

Vendor is highly motivated they will be happy to tell you everything you ask and if you know total debts and property value you will know if a deal is possible.

e.g.

Value of £130k and total debts of £110k would make a deal impossible for your BMV strategy.

Value of £130k and total debts of £70k would give great potential for a deal.

AT ALL COSTS AVOID GIVING VENDOR A PRICE OVER THE PHONE!

You telling them you will pay 70% of the valuation without any proper explanation or reasoning will only put them off.

ARRANGE A SUITABLE TIME TO VISIT THE PROPERTY AND GET OFF THE PHONE

TIPS - In the early stages as it is probably worth making several appointments regardless of the motivation or figures involved as this will enable you to practise without the fear

However it is vital that as you progress your business you learn how to efficiently qualify your leads so as to use your time and money as effectively as possible.

Time is money - don't go chasing deals with vendors who are not motivated. You may get a call from a vendor saying they have just put their property on the market and are just calling to see what you would offer. In the nicest possible way I would initially say at the moment I wouldn't think we can help you as you will get the best price for your property on the open market. Keep their details and call them back.

Considerations

How motivated is the seller?

How much lending is already secured on the property?



Meeting the Vendor

MEETING THE VENDOR

Exercise – how should you dress, and what should you take with you?

What should you have with you when you go to appointment?

- Digital camera
- Electronic measuring device
- Damp meter
- Property Information Form
- Calculator
- Evidence of Comparable Sales (especially if they show only lower comparables)
- Option Agreement

Ideally you want to view the property in daylight however this may not always be possible due to work commitments etc of the vendor or yourself therefore because you will be targeting properties in your local area it is a good idea to take a drive past during the day as if is a house or upper flat you want to be able to check the external condition of the property.

I.e.

- Roof- Flat felt (limited lifespan) or sloping tiled,
- External brickwork or rendering
- Condition of gutters and downpipes
- Condition of windows

How should you dress?

Dress smart but no need for anything too formal like a suit.

You want to appear professional but don't think you need to go as far as a suit with tie as this is too formal. Outdoor jacket as you will still want to inspect the external condition of the property and garden and grounds regardless of the weather.

Title Search (www.landregistry.gov.uk)

If you are confident on a deal it is always good to do an initial title search on a property. In Scotland this can be done and picked up from the local office on the same day. It costs £3 or £4 but this will allow you to see who holds security on the property ie which lender or lender's have security and if there are any second charges (secured loans). It will also provide the unique title number for the property and who the current owners of the property are.

This information is vital as in any discussion on the property you want to be speaking with all the decision makers at once. Occasionally after a divorce for example you may need to meet each person separately. Illness may also present a few issues....Has a power of attorney been appointed?

Key parts to the appointment

BREAK THE ICE

TAKE CONTROL OF THE SITUATION

Establish rapport – “When is this horrible weather going to end?”

Is that your son in the photo?

Get the vendor to give you a full tour of the property and take pictures and a note of any repairs you think are required.

The vendor may highlight themselves which is even better.

Ask the vendor if they know the difference between us and an Estate Agent. Mention that they will have no upfront fees, no estate agency fees or a 6 month delay whilst still having to pay mortgage payments and council tax.

We are problem solvers. We can provide you with the solution to sell your property quickly at no costs. We even pay your legal fees.

Explain that we buy properties regularly so our team are very experienced.

Explain how the process will work. We will recommend a lawyer for you to use so that the sale progresses as fast as possible.



If Property needs work, is it a no go?

If when you arrive and the property needs work, is it a no go?

You must know how to cost works effectively to offer the correct amount – getting this wrong can lose all your profit!

You can expect most properties to require some works even if it's a coat of paint or new carpets.

If you're buying to let then the works required will need to meet your tenant profiles requirements which unless aimed at the professional family market is likely to be less than if you're looking to sell on the open market.

We would advise on your first few projects to enlist the help of a builder to take care of the whole refurbishment however as you progress you will save £1,000's by managing the works yourself. It's always good practise to at least understand the pricing your builder is quoting for to ensure your getting a good deal.

Example – 3 Bedroom Terrace

Waste Removal

£500 - £1,000

You can hire a skip or employ an external team which including labour should cost no more than £500-£750. Remember to budget this in if your buying a property where furniture is being left by the owner.

Decorating

£250 per room as a good guide including labour.

(This covers prepping areas and painting or papering)

Flooring

£100 per room.

You can expect to pay £750 - £1,000 per property for a good quality carpet or lino.

If you prefer laminate or wood flooring make sure it's fitted prior to skirting boards for a neat finish which will normally cost £1,000 for the whole ground floor.

Kitchen

£1,500

This will include the units, oven, hob & extractor fitted. There will be additional expense for electrics, decorating, flooring, etc.

Remember to leave space and plumbing for washing machines & fridge freezers (its easy to forget there when you're looking at an empty space).

Bathroom

£250 - £500

Keep things simple in the bathroom. Even if the toilet looks better on the other wall remember that moving them can add £100's in terms of materials and time in re-routing waste pipes, etc. As mentioned above a full suite should cost around £200 with the rest spend on tiling & decorating.

Damp Treatment

£350 - £1,000

Depending on the level of damp in the property you may just need to clean the gutters! A chemical injected damp proof course should cost around £500 with vertical damp costing £1,000's to rectify.

Electrics

£100 - £2,000

Create a list of a few local elicitation in your area to quote on your first job and don't just select from price. If you're using a builder he will already have someone who he works well with so leave him take responsibility. If you're managing the works yourself then build a good working relationship and ensure he can be flexible in terms of working around your other tradesmen. Try and get them to quote for works rather than an inspection (the later costs you money).

A full re-wire, depending on your location, should cost no more than £1800 + VAT.

Gas & Plumbing

£60 - £2,000

As with Electrics it's an area you will need to outsource to a specialist unless it is as simple as changing a tap or covered by a builder. Prices can range so it's important to gather a few quotes from local Gas Safe Plumbers for gas work and general Plumbers for pipe work and bathrooms. Gas Safe (CORGI) registered plumbers are generally more expensive so if its only general plumbing than you can save money by sourcing the right people for each job. Ensure the plumber quotes for supply & fit with a breakdown of costs. You can buy a Combi for £500 so make sure your not being overpriced.

A new central heating system, depending on location, should cost no more than 2,500 + VAT.

Windows

£300 per unit fitted. Find your local supplier and ask him to recommend a fitter to install the windows. You should expect to pay around £300 per window for UPVC and around £100 for a replacement pane.

Furnishings

If supplying and furnishings to the property you must ensure they meet certain requirements for safety. For this reason as much as possible it is better to try and let property unfurnished.

Notes

Pricing Refurbishment works and assessing suitability

After visiting several properties you will slowly learn what types of works the property may require and how much those works will cost. On your first few property visits you may want a builder to visit and quote which will give you a better understanding on the numbers.

Remember that refurbishment projects should not scare you away as it's here that you can often find the best deals along with being able to add value within a few weeks.

Properties which require works are often ignored by first time buyers & small landlords as they will not be able to see past the red paint and old kitchen. Vendors of these properties will understand this which puts you in a very strong position when negotiating the price.

With all things there are limits and although you may look at large projects further down the line we suggest you start off on what people call "light refurbishments". These tend to be more cosmetic with the possibility of a new kitchen and bathroom adding £10,000 – £20,000 on the property value.

As property investors and traders we draw the line under property which required major structural repair as the price can be difficult to quantify but more importantly the profits may not be much more than smaller projects but the risks and capital employed can tenfold.

The following property is one which we have just purchased in Wales for £35,000. It is a 2 bedroom, 1 bathroom property in reasonable condition. The vendor inherited the property and was looking for a quick sale. It is dated however with a good clean and paint would be suitable to let.

The current market value is £50,000 which is a 30% discount!

However we saw a good potential for added value and decided to refurbish the property with the aim to sell onto an investor for a quick sale.

New Kitchen
New Laminate Flooring
Decorating
2 X panes for UPVc windows

New Bathroom
New combi boiler
Minor damp issue

The works are currently being carried out with a time scale of 2 – 3 weeks to completion. We have already had an after works valuation carried out which estimated the value to be **£77,500.**

Property Sourcing Masterclass



From the photos and our description how much do you think the cost of works will be?

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EXERCISE: see below

2 Bed Bungalow Figures

Purchase Price:	£35,000
Current Valuation:	£50,000
Equity:	£15,000
Discount BMV:	30%
Valuation after works:	£77,500
Building Works:	£5,500*

“RAY’LL FIX IT” IF IT IS BROKE HE IS THE BLOKE Mr Ray Ringrose 18 Laurel Crescent Newport NP20 6WQ Tel - 07815462513 QUOTE 12052010CF81 Decoration To redecorate all rooms with magnolia cream walls (excluding bathroom) & white ceilings Kitchen To supply and fit a new kitchen to include oven and hob, all necessary plumbing as required completing installation, i.e. isolation on taps. Bathroom To supply and fit a new suite to include toilet, bath & hand basin. Upvc cladding to walls and any adjustments to pipes etc to complete installation. Flooring Removal of all skirting boards so that laminate flooring can be fitted throughout and then skirting replaced so no beading required. Skirting boards to be painted white. Kitchen Dinner End Wall To batten and reboard wall as previous water damage. Thompson seal outside wall.	Guttering Empty gutters and reseal joints as necessary to prevent leaks. Double Glazed Units Supply and fit 2 x d/g units, 1 for front bedroom & 1 for bottom of back door. Removal and disposal of rubbish relating to these works. <u>£4500.00 Fully inclusive of materials and labour.</u> Payable as follows: £2250.00 prior to start of work (start date 20th May 2010) £2250.00 immediately on completion (Completion by 10th June 2010, unless any unforeseen problems arise on this works) I look forward to your instruction Kind Regards Ray Ringrose
--	--

Total Costs:	£40,500
Equity:	£37,000
Discount BMV:	47%

*£5,500 = £1,000 for new combi fitted + £4,500 for labour & materials.

As you can see from the above what was a good deal became a great deal by now fearing building works, pricing the job correctly and buying at the right price.

And yes... my builder does call himself “Ray will fix it!”

So after this you should be able to offer an accurate price based on values, and any work required.



10

Agreeing a Price - What Next?

Making the offer

Now you have an idea of your costs along with the market value you should sit down with the vendor and discuss the figures.

Get your calculator out and explain what you need the property to value at to do the deal. Multiply the value by 0.7 and minus the rough building works costs from your offer with should give you an offer figure.

I.e. Property Value £100,000 = £70,000 - £5,000 Works. Your offer: £65,000.

Say “Based on the numbers and the costs of works I’m willing to offer x subject to getting the survey back OK” Then say NOTHING..... Don’t be the first to talk and let them give you a Yes or No. Most people will give you feedback and start justifying their yes or no. Listen to them and don’t butt in.

Next steps....potentially get them to sign there and then if it’s a yes and then you can renegotiate after the valuation if required.

If they say no, how warm are they?

Judge it – call them back every 2 weeks, 10-15% will come back 2-3 months later....! That deal could be worth 10k!

You agree a deal, so what next?

Ok so you’ve negotiated a great deal, done all your research so your half way there. Now you need to buy or trade the property as soon as possible to maintain good relations with the vendor and make a profit. It’s important here to manage the vendor’s expectations. There’s no point telling them you will complete within 2 weeks if you can’t as it could jeopardise the deal if your vendor loses faith in your ability to complete.

Option Agreement

The most popular way to secure a property is to sign an Option Agreement with the Vendor. This in effect gives you the option to purchase the property at an agreed amount and within an agreed timescale. You are not obliged to buy the property however they are obliged to sell at the agreed amount subject to you sticking to your timescales. You now have an agreement in place which, on paper at least, shows a solid deal.

See Overleaf

Option to Buy Property Agreement

EXAMPLE

This agreement is made on the **19th** day of **May** 2010

BETWEEN:

(1) Property Wales Group LTD (the 'Buyer'); and

(2) _____(the 'seller').

WHEREAS:

The seller now owns _____(the property').

NOW IT IS HEREBY AGREED **SUBJECT TO VALUATION** as follows:

1. In consideration of the sum of £1, (the 'Option Payment') receipt of which is hereby acknowledged by the seller upon execution of this document, the Seller grants to the Buyer the exclusive option to buy the property for the following price and on the following terms (the 'option'):

Purchase price: **£89,000**

2. The option payment will be credited against the purchase price of the property if the Option is exercised by the buyer.

3. If, after signing this agreement, the Seller fails to complete the sale of the Property to the Buyer, the seller will reimburse the buyer with all the costs that the buyer has incurred including the option payment.

4. The Option period will be for **14 weeks** from the date of the agreement ("the Option Period"). The Option shall be exercised by the service of the written notice by the buyer on the seller at any time within the Option period.

5. i. Upon the service of the written Notice from the Buyer to the Seller exercising the Option this Agreement shall constitute a Contract for the Sale and Purchase of the Property with the terms and conditions hereunder provided.

ii. The standard Conditions of sale (Fourth Edition) shall apply and are incorporated herein save that this option Agreement is assignable.

6. If after the exercise of the Option the seller shall have failed or refused to execute an agreement for the sale of the Property or to execute the Transfer or another deed or document which is required to give effect to this agreement then the Option Holder is hereby irrevocably appointed Attorney to execute the same on behalf of the Owner. This power of attorney is given to secure a proprietary interest of the Option Holder and is therefore irrevocable for as long as that interest subsists.

7. If the property seller has failed or refused to execute an agreement for the sale of the Property or to execute the Transfer or any other deed or document which is required to give effect to this agreement then they shall be liable for all direct costs incurred by the buyer(s) in relation to the property purchase.

8. This agreement is subject to contact and subject to survey.

In witness of which the parties have signed this agreement the day and year first above written

Signed by or on behalf of the Buyer

Signed by on behalf of the Seller

In the presence of (witness)

In the presence of (witness)

Name :

Name :

Address :

Address :

Occupation:

Occupation:

Next Steps after price is agreed

Valuation

Your next step is to organise your valuation either via your lender or privately. We aim to get a valuation carried out within 7-10 days of a signed agreement as time will fly for you visiting properties everyday but for a vendor this is one of the biggest decisions in their life so make sure you stay in touch regularly and manage their expectations well.

Managing Valuations

Ideally you want to be present at the valuation to ensure the surveyor has all the information they require (including your list of comparables) to show why the property is worth xyz.

We often have vendors who are not comfortable in these situations and as a result can make you uncomfortable too. I've lost count of the number of times I've given a vendor £10 to go out for lunch while I manage the valuation.

Remember this deal has already have cost you £100's or more in marketing costs, time & valuation fees so make sure you are ready!

Valuation Result

It can only go good or bad so it's usually at this stage you will know with certainty if the deal is going to complete or fall through. If the valuation is successful then you should now instruct Solicitors to contact the vendors and yourself/the buyer. If the valuation goes bad make sure you speak with the Surveyor and find out why his figures did not match yours. If the valuation is only a few % then I would usually argue pretty firmly with my comparables as this is not a science and a RICS survey is never 100% to the £1.

If I only need a few £1,000 to make the deal work I can usually use my evidence to succeed in getting the valuation amended. If your numbers are totally different then it's even more important to understand why. The Surveyors can see over 4 properties every day so it may be they have seen things in the market moving which, although expensive, should be a lesson remembered when sourcing in the same area, etc. If you continue to find properties in the same area down valuing with different surveyors then it may be time to assess your research methods or target area.

Solicitors

As long as you have instructed your Solicitors properly then a weekly phone call should be sufficient in ensuring things are moving along smoothly. If you're dealing with a number of properties you will find yourself speaking with Solicitors several times a day. You don't need to pester your Solicitor with the same questions but work as a team. If a vendor is taking

time in sending documents back or unsure how to complete the Property Information Form then it's well worth a home visit to help complete, collect and deliver.

Letting Agent

If the intention is to let the property post completion then it's a good idea to involve your letting agent around 2 weeks prior to collecting the keys. Vendors will rarely object to you marketing the property, erecting a For Let board, etc if they are happy with the progress.

Building Works

As with Letting Agents, if works are required post completion it's good practice to organise quotes prior to ensure you can commence then soon after.

What are your options now have secured the deal?

1. Buy yourself
2. If sourcing for others or a sourcing company understand how they work, what your role will be and what is expected from you.



11

Conclusion & Next Steps

Conclusion

Sourcing properties can be very lucrative

People skills are vital

Good analytical skills are a must – understanding the numbers

Understand the market place

An average deal could make you £20,000 of equity or £1500-2000 sourcing fee

A clear strategy is key

You will face a lot of rejection, but the small numbers of successes will make it very worthwhile!

For example, you could secure 3 deals for yourself in your first year, plus source 7-10!

Next Steps

Exercise

Choose your territory

Decide your monthly Budget

Decide on your marketing strategy i.e. buy leads/newspaper advertising

Agree on your Power Team

Decide on your strategy when you secure a deal

Get started!

Good Luck!

Alan Forsyth

